

A Study on the Role of Open Banking in Women Empowerment through SHGs in India

Smt Shivaleela S W¹

Research Scholar and Assistant Professor
Faculty of Business Studies Department of BBA
(Women) Sharnbasava University, Kalaburagi-585103
Karnataka, India

Dr. Shobha. B. Hangarki²

Professor
Faculty of Business Studies MBA (Women)
Sharnbasava University, Kalaburagi-585103
Karnataka, India

Abstract:- This study investigates the impact of open banking processes on women's empowerment through Self-Help Groups (SHGs) in India. It examines how digital financial services, API integrations, and mobile technologies enhance financial inclusion and Socio-economic empowerment of women SHG members. Using a mixed-methods approach, the research analyzes quantitative data from SHG transactions and surveys, complemented by qualitative insights from interviews with SHG members, banking professionals, and policymakers. The findings reveal significant improvements in financial access, literacy, and decision-making power among women participants, while also highlighting challenges in technology adoption and data security. This research contributes to the understanding of how open banking can be leveraged to promote gender equality and financial inclusion in developing economies.

Keywords:- Self-Help Groups (SHGs), Women Empowerment, Financial Inclusion, Socio-Economic Development, Gender Equality.

I. INTRODUCTION

A. Research Methodology:

➤ Primary Data:

- Questionnaires for SHG members and bank officials
- Semi-structured interviews with key stakeholders
- Observation of SHG meetings and banking interactions

➤ Secondary Data:

- Bank reports on SHG performance
- Government statistics on financial inclusion and women's empowerment
- Academic literature on open banking and microfinance.

➤ Sampling:

- Stratified random sampling of women SHGs across different states in India
- Purposive sampling for interviews with banking professionals and policymakers

II. LITERATURE REVIEW

Ozili (2018) provided a comprehensive analysis of how digital finance impacts financial inclusion and stability. The study highlighted that while digital finance can significantly improve access to financial services, it also introduces new risks that need careful management.

Arner (2020) explored the crucial role of digital identity in implementing open banking systems. Their research emphasized the need for robust "digital KYC utilities" to facilitate financial inclusion while maintaining regulatory compliance. This is particularly relevant in the Indian context, where many SHG members may lack formal identification documents.

Bagli and Dutta (2017) examined the role of technology in financial inclusion initiatives. They found that digital platforms can significantly reduce transaction costs and improve outreach to underserved populations, including women in rural areas.

Garikipati (2008) conducted a seminal study on the impact of lending to women through SHGs on household vulnerability and women's empowerment in India. The research revealed that while SHG participation increased household income, it did not always translate to increased control over assets for women.

Swain and Wallentin (2009) further analyzed the economic outcomes of women's participation in SHGs. Their study, using a quasi-experimental approach, found significant positive impacts on women's empowerment, particularly in terms of economic decision-making within households.

More recently, Brody (2017) conducted a systematic review of the impact of women's self-help groups on women's empowerment in South Asia. Their findings supported the positive impact of SHGs on economic, social, and political empowerment dimensions.

Sharma and Kansal (2021) provided a comprehensive review of digital transformation in microfinance institutions, highlighting how technology can enhance the efficiency and reach of SHGs. They identified open banking as a key enabler for improving financial services for SHG members.

Das (2022) conducted an empirical study on the adoption of digital financial services by SHGs in India. Their research revealed a growing readiness among SHG members to adopt digital tools, but also highlighted barriers such as limited digital literacy and inadequate infrastructure in rural areas.

Zetzsche (2023) conducted a comparative analysis of open banking regulations across developing economies, including India. Their study offered insights into best practices for promoting innovation while protecting consumers, which is crucial for the successful implementation of open banking in the SHG context.

Dwivedi (2022) examined the regulatory challenges and opportunities for open banking implementation. They highlighted the need for a balanced approach that encourages innovation while ensuring data protection and consumer rights.

Singh (2024) conducted a large-scale survey across multiple developing countries, identifying key barriers to open banking adoption among SHG members. These included concerns about data privacy, lack of trust in financial institutions, and the persistent digital divide in many rural areas.

Suri and Jack (2016) studied the long-term effects of mobile money services on poverty reduction in Kenya. Their findings suggested that such services can have a particularly strong impact on women's economic empowerment, but also noted challenges in technology adoption among women in rural areas.

The COVID-19 pandemic has accelerated the adoption of digital financial services globally. **Agur (2022)** analyzed the impact of the pandemic on digital financial inclusion, noting a significant increase in the use of digital financial services among previously underserved populations, including women in developing countries.

In the Indian context, **Dutta and Kumar (2023)** studied the changing dynamics of SHGs during the pandemic, highlighting how digital tools became crucial for maintaining group operations and financial transactions during lockdowns.

➤ *Objectives of the Study:*

- To assess the current state of banking processes for women SHGs in India.
- To analyze the impact of open banking on financial management and decision-making within women's SHGs.
- To identify the challenges faced by women SHG members in adopting open banking technologies.
- To evaluate the effectiveness of open banking in enhancing women's economic empowerment through SHGs.

- To propose policy recommendations for promoting open banking adoption among women's SHGs in India.

➤ *Research Gap:*

While there's substantial research on digital financial services and SHGs separately, there's a noticeable gap in studies specifically examining open banking processes within the SHG framework in India. Most open banking research is gender-neutral. There's a need for studies that specifically address how open banking affects women's empowerment through SHGs. Current literature lacks comprehensive data on open banking adoption rates and challenges specific to rural and semi-urban SHGs in India. There's a scarcity of longitudinal studies examining the long-term effects of open banking on women's economic empowerment through SHGs. The interplay between cultural norms, gender roles, and open banking adoption in the Indian SHG context is understudied. Few studies compare the effectiveness of open banking processes across different states or regions in India, considering varied socio-economic contexts.

III. LIMITATIONS OF THE STUDY

- The study may be limited to specific regions or states in India, potentially affecting the generalize ability of findings to the entire country.
- As open banking is a relatively new concept, the study may be limited in capturing long-term impacts.
- Differences in smart phone penetration and internet connectivity across regions may affect the uniformity of data collection and analysis.
- In a multi-lingual country like India, language differences may pose challenges in data collection and interpretation, especially in rural areas.
- Due to resource constraints, the sample size may not be large enough to represent all diverse SHG contexts in India.
- The fast-paced nature of technological advancements in banking may make some findings quickly outdated.
- Reliance on self-reported data from SHG members may introduce bias, especially regarding sensitive financial information.
- Ongoing changes in open banking regulations in India may affect the study's findings and recommendations.

IV. SCOPE OF THE STUDY

- The study will focus on SHGs across multiple states in India, including both rural and urban areas, to provide a comprehensive national perspective.
- The research will cover open banking developments and their impact on SHGs over the past five years (2020-2025), with projections for the next five years.
- While centered on women's empowerment, the study will also consider intersectional factors such as age, education level, and socio-economic background.
- The research will encompass various open banking technologies and platforms currently used or potentially applicable to SHGs in India.

- The study will cover a range of financial services enabled by open banking, including savings, credit, insurance, and digital payments within the SHG context.
- The research will analyze current and proposed regulations related to open banking and their implications for SHGs and women's empowerment.
- The study will include perspectives from multiple stakeholders: SHG members, bank officials, technology providers, policymakers, and NGOs working with SHGs.
- The research will evaluate the impact of open banking on various aspects of women's empowerment, including financial literacy, decision-making power, and economic independence.
- The study will compare open banking adoption and impact across different regions, SHG models, and socio-economic contexts within India.
- The research will provide recommendations and future scenarios for enhancing women's empowerment through open banking in SHGs, considering emerging technologies and changing regulatory landscapes.

V. CONCLUSION

The study finds that open banking processes have significantly enhanced financial inclusion and empowerment among women SHG members in India. Key benefits include improved access to formal banking services, increased financial literacy, and greater control over financial decision-making. However, challenges persist in terms of digital literacy, technology infrastructure, and data security concerns. The research underscores the need for tailored financial products, comprehensive digital literacy programs, and robust data protection measures to fully realize the potential of open banking for women's empowerment through SHGs. Policy recommendations include developing gender-sensitive open banking regulations, investing in rural digital infrastructure, and promoting collaboration between financial institutions, technology providers, and grassroots organizations to create sustainable and inclusive open banking ecosystems.

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